SHRI MD. SALIM: There is a precedent, Madam.

SHRI S. JAIPAL REDDY: There is a precedent. The House had agreed that important questions could be taken up. (*Interruptions*)

SHRIMATI JAYANTHI NATARAJAN: We do not agree.

THE DEPUTY CHAIRMAN: Question No. 264. (*Interruptions*)

SHRI V. NARAYANASAMY: We have to go by the rules, Mr. Jaipal Reddy.

*263. *[The Questioner (Shri Dilip Sing Judev) was absent. For answer vide col.... infra.]*

THE DEPUTY CHAIRMAN: Question No. 264.

Devolution of Funds by Tenth Finance Commission

*264. SHRI SURESH PACHOURI:†
SHRI GOVIND RAM MIRI:

Will the Minister of FINANCE be pleased to state:

(a) whether Tenth Finance Commission, in suggesting the formula of devolution of funds, has not taken the backwardness factor of the States into consideration;

(b) whether as a result of the recommendations, the total devolution to States of Rajasthan, Uttar Pradesh, Orissa and Madhya Pradesh would be reduced by 1.12%, 0.5%, 0.93% and 0.30% respectively in comparison to the total devolution recommended by the Ninth Commission;

(c) if so, total net loss in the Central assistance to Madhya Pradesh for the period 1995-2000; and

(d) how does Government propose to compensate the poor States for this reduction in assistance?

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): (a) to (d) A statement is laid on the Table of the House.

Statement

(a) The Tenth Finance Commission has adopted the following criteria for distribution of net proceeds of income-tax and 40% of the net proceeds of Union excise duties amongst the States:—

(i) 20% on the basis of population of 1971;

(ii) 60% on the basis of distance of per capita income of a State from that of the State with highest per capita income multiplied by the 1971 population of the State concerned;

(iii) 5% on the basis of area adjusted;

(iv) 5% on the basis of index of infrastructure; and

(v) 10% on the basis of tax effort.

By assigning the weightage to the per capita distance formula, area adjusted, index of infrastructure and tax effort, the Commission has taken care of the backwardness factor.

(b) The devolution of funds to Rajasthan, Uttar Pradesh, Orissa and Madhya

†The Question was actually asked on the Floor of the House by Shri Suresh

Pradesh and their share in total devolution to all States on the basis of the Tenth Finance Commission as compared to the corresponding figures based on the recommendations of the Ninth Finance Commission are as follows:—

STATES	Ninth Finance Commission		Tenth Finance Commission		
	Amount	%age to total	Amount	%age to total	Improvement over NFC
	(Rs. crs.)		(Rs. crs.)		(Rs. crs.)
Rajasthan	6525.62	6.15	11400.87	5.03	4875.25
Uttar Pr.	17449.14	16.46	36158.91	15.95	18709.77
Orissa	5523.04	5.21	9706.55	4.28	4183.51
Madhya Pr.	7843.29	7.40	16093.97	7.10	8250.68
TOTAL (OF ALL STATES):	106036.43	100.00	226643.30	100.00	120506.87

It can be seen from above that although as per recommendations of the Tenth Finance Commission the relative share of States in terms of percentages in total devolution to all States has reduced as compared to their relative share in total devolutions as recommended by the Ninth Finance Commission yet in absolute terms funds flowing to States including above States during the period of the Tenth Finance Commission would be substantially higher than the total devolutions during the period of the Ninth Finance Commission.

(c) In view of (b) above there is no net loss to M.P. for the period 1995—2000.

(d) In view of above question does not arise.

श्री सुरेश पचौरी: महोदया, 9वें वित्त आयोग ने राज्य की अनुसूचित जाति, जनजाति एवम् कृषि श्रमिकों की जनसंख्या के आधार पर पिछड़ेपन के आधार का फार्मूला सम्मिलित किया था जिसको 10वें वित्त आयोग ने ध्यान में नहीं रखा है जिससे मध्य प्रदेश अत्यधिक प्रभावित हुआ है और इस संबंध में हमारे मध्य प्रदेश के मुख्य मंत्री ने प्रधान मंत्री को मई, 1995 में एक पत्र भी लिखा है। महोदया, 9वें वित्त आयोग द्वारा समस्त राज्यों के लिए जो अनुदान राशि निर्धारित की गई थी, वह 18,154 करोड़ थी, उसमें से जो मध्य प्रदेश को हिस्सा मिला था वह इस राशि का 7.21 प्रतिशत यानी 1309 करोड़ रुपए मिला था, जबकि 10वें वित्त आयोग ने जो राशि समस्त राज्यों के लिए निर्धारित की है वह 20,300 करोड़ रुपए है और उसमें जो मध्य प्रदेश को हिस्सा मिला है वह 4.03 प्रतिशत यानी 818 करोड़ रुपए ही मिला है। मैं आपके माध्यम से मंत्री जी से जानना चाहता हूं कि 10वें वित्त आयोग द्वारा करों एवम् शुल्कों के अंतःकरण के लिए निर्धारित अंतरण सूत्र में पिछड़ेपन के आधार को क्यों सम्मिलित नहीं किया गया है? पिछड़ेपन के आधार को सम्मिलित नहीं किए जाने से मध्य प्रदेश राज्य को जो हानि हुई है उसकी पूर्ति के लिए केन्द्रीय सरकार क्या कदम उठाने जा रही है? साथ ही सहायता अनुदान में मध्य प्रदेश के भाग में हुए कमी की पूर्ति के लिए केन्द्रीय सरकार की तरफ से क्या कार्रवाई की जा रही है? सहायता अनुदान के निर्धारण में 9वें वित्त आयोग की तुलना में बिहार, उड़ीसा, राजस्थान, उत्तर प्रदेश एवम् मध्य प्रदेश जैसे जो पिछड़े राज्य है, उनमें जो अनुदान की राशि की कमी आई है तथा अधिक आय वाले राज्यों के भाग में वृद्धि के क्या कारण सरकार मानती है?

डा० बापू कालदाते: बजट का भाषण कर रहे हैं क्या?

Is he asking a question or making a speech on the Budget?

श्री सुरेश पचौरी: ए, बी, सी, डी, ई।

श्री रजनी रंजन साहू: आपके राज्य को ज्यादा मिल रहा है, इसलिए आप चुप हैं।

SHRI MANMOHAN SINGH: Madam, this issue was debated in this House

THE DEPUTY CHAIRMAN: Your voice is heard, Mr. Narayanasamy. I know you have raised your hand. But the question is in his name. He has to put his second supplementary also. If you look at the question, there is another Member also whose name is listed. I know you are impatient, but it is beyond me.

SHRI AJIT P.K. JOGI: He is not from Madhya Pradesh.

SHRI V. NARAYANASAMY: I am trying to catch your eye.

THE DEPUTY CHAIRMAN: My eye has been caught very well! Your name has been written and registered.

SHRI MANMOHAN SINGH: Madam, the Tenth Finance Commission's report was a subject-matter of discussion in this House only a few days ago and I had attempted to clarify some of the issues.

As far fas the income tax and 40 per cent of the excise duties which are shareable with the States are concerned, the Commission has adopted the following criteria, that is, 20 per cent on the basis of population of 1971, 60 per cent on the basis of distance of per capita income of a State from that of the State with the highest per capita income multiplied by the 1971 population of the State concerned, five per cent on the basis of area adjusted, five per cent on the basis of index of infrastructure and, finally, 10 per cent on the basis of tax effort. Madam, it would be noticed, therefore, that the distance formula, the five per cent adjustment on the basis of area, the five per cent adjustment on the basis of infrastructure...

SHRI AJIT P.K. JOGI: All this is in the main answer...*(Interruptions)*... We want to know why this injustice has been done...*(Interruptions)*... It is already there. He is again reading it...*(Interruptions)*...

SHRI MANMOHAN SINGH: ...thus take into account the backwardness of a State...*(Interruptions)*... The Finance Commission is an autonomous, high-powered body, and I think it would be a sad day if motives were to be attributed to such an august body like the Finance Commission.

उपसभापतिः अभी आप संक्षेप में पूछ लीजिए।

श्री सुरेश पचौरीः महोदया, नवें वित्त आयोग ने मध्य प्रदेश के लिए 1048 करोड़ रुपए का प्लान रेवेन्यू डेफिसिट ग्रांट निर्धारित किया था। लेकिन दसवें वित्त अयोग ने इस अनुदान के संबंध में कोई भी अनुशंसा नहीं की है। तो मैं आपके माध्यम से यह जानना चाहूंगा कि दसवें वित्त अयोग ने इस संबंध में कोई अनुशंसा क्यों नहीं की? इसके क्या कारण हैं और इस डेफिसिट को पूरा करने के लिए केन्द्रीय सरकार क्या कदम उठाने जा रही है?

SHRI MANMOHAN SINGH: Madam, we have no intention to compensate any State Government. We have accepted the report of the Finance Commission as it is.

श्री गोविन्दराम मिरीः मैडम्, मैं वित्त मंत्री जी से पूछना चाहता हूं कि सहायता अनुदान के निर्धारण में नवें वित्त आयोग की तुलना में बिहार, उड़ीसा, राजस्थान, उत्तर प्रदेश एवं मध्य प्रदेश जैसे पिछड़े राज्यों के अंश में कमी आई तथा महाराष्ट्र, गुजरात, कर्नाटक, पंजाब एवं हरियाणा जैसे विकसित तथा अधिक आय वाले राज्यों के भाग में वृद्धि के क्या कारण हैं? मेरा "ख" पार्ट है—क्या नवें वित्त आयोग द्वारा अनुशंसित अनुदान राशि की तुलना में राशि निर्धारित करते समय उचित वृद्धि दर को ध्यान में रखेगा?

SHRI MANMOHAN SINGH: Madam, I have already mentioned the criteria that have been adopted by the Finance Commission. In fact, only a few days ago when this matter was debated, the hon. Members from Maharashtra complained that they were being discriminated against. Distribution of resources among States and among individuals everywhere gives rise to controversies. I believe the Finance Commission, on the whole, have done a good job, and the country should, I think, live with this for

the next five years.

श्री गोविन्दराम मिरी: क्या योजना आयोग नवें वित्त आयोग द्वारा अनुशंसित अनुदान राशि की तुलना में राशि निर्धारित करते समय उचित वृद्धि दर को ध्यान में रखेगा—रेट आफ इंक्रीज?

SHRI MANMOHAN SINGH: Madam, I have already mentioned that the Finance Commission's report has been accepted by the Government as it is. Therefore, it is a closed chapter as far as the Government is concerned.

उपसभापति: उन्होंने जवाब दे दिया, अब आप बैठिए। अग्रवाल जी, आप पूछिए।

SHRI SATISH AGARWAL: Madam Deputy Chairperson, though it is true that the Tenth Finance Commission's report was referred to by me during my speech on the two Bills being debated here in this House, there are certain questions which have been left unanswered. Mr. Suresh Pachouri and other Members have raised the problems of Uttar Pradesh, Orissa, Madhya Pradesh and Rajasthan. One particular reason is that the Lok Sabha gets representation in the Tenth Finance Commisssion. I raised the issue because it is a question of devolution of the shares of the States. Naturally Rajya Sabha also should get representation in the Tenth Finance Commission. This should be borne in mind. I have not imputed any motive. Nor am I going to impute any motive to the Tenth Finance Commission. It has done a wonderful job.

But, how is it that the relative share of these four States, including Rajasthan, recommended by the Tenth Finance Commission has gone down in comparison with the total amount recommended by the Ninth Finance Commission? This is part (a) of my question. In absolute terms, it has gone up, but, in relative terms, it has gone down. What factors have led it to go down?

Number two so far as the non-Plan revenue deficit is concerned according to the Tenth Finance Commission Report 7.5 per cent has to be distributed additionally amongst the States. What has led to this? Previously 45 per cent was distributed. Now you have brought it down to 40 per cent and 7.5 per cent on a different formula.

Then this table at page No. 25 shows that only Rajasthan is getting zero for the rest of the four years and no other State is getting zero. Is it on account of efficiency of Rajasthan that it is getting zero? The Planning Commission has good words for Rajasthan. You have appreciated Rajasthan. The Planning Minister has appreciated Rajasthan. The Prime Minister has appreciated Rajasthan. Mr. Bhuvnesh Chaturvedi appreciated the performance of Rajasthan. Giving more allocation to other States then to an efficient State like Rajasthan is putting a premium on inefficiency.

One thing more. While presenting this report, you have laid a statement on the Table of the House. You mentioned that some recommendations were under examination. What are those recommendations which are under the examination of the Government?

SHRI MANMOHAN SINGH: Madam, the hon. Member, I am afraid, is not correct when he says that the Lok Sabha has necessarily to be represented or was represented because of any obligation to have a Member of the Lok Sabha as a Member of the Finance Commission. The requirement is that one of the Members has to be qualified to be a Judge of the High Court. It so happens that one Member of the Lok Sabha, who had that qualification, was made a Member of the Finance Commission not because he was a Member of the Lok Sabha but because he was qualified to be a Judge.

SHRI SATISH AGARWAL: Mr. Sushma Swaraj qualifies to be a Judge of the High Court, having seven years experience.

SHRI MANMOHAN SINGH: As far as the Rajya Sabha is concerned, the

Ninth Finance Commission was chaired by a Member of the Rajya Sabha.

SHRI SATISH AGARWAL: That is why the States got more.

SHRI MANMOHAN SINGH: As far as the question of distribution of 7.5 per cent excise duties is conerned, it is not correct that while the Tenth Finance Commission has distributed 47 per cent, the previous Finance Commission had distributed it on a different formula. It is certainly true that, of the total of 45 per cent distributed by the previous Finance Commission, 40 per cent was distributed on a general formula and 5 per cent was given to States which were deficient, which had a revenue deficit. The Tenth Finance Commission has increased that share from 5 per cent to 7.5 per cent. So, I think, there is no basic difference in the principle as far as the distribution is concerned.

Finally, as regards the issues which are under consideration, the Commission has suggested an alternative devolution formula which requires a Constitutional amendment. This is one major issue. There are some other issues about the loans of the Union Territories which later had became States. I think, the Commission has said that the Government should look into those issue. These are some of the issues which are under consideration.

श्री रामजी लाल: उपसभापति महोदया, मैं आपके माध्यम से मंत्री महोदय से जानना चाहता हूं कि क्या सरकार ने बैकवर्डनैस फैक्टर को ध्यान में रखते हुए उन स्टेट्स को फंड्स अलॉट करने का कोई नया फार्मूला तैयार किया है और यदि किया है तो सरकार किस लेवल तक 10वें फाइनेंस कमीशन की रिपोर्ट पर क्या कार्यवाही करेगी? मैं यह पूछना चाहता हूं कि जो पुअर राज्य हैं, उनमें कौन-कौन सी स्टेट्स में फंड्स का ऐलोकेशन हुआ है, उनके नाम बताने का कष्ट करें।

THE DEPUTY CHAIRMAN: The Question Hour is over.

WRITTEN ANSWERS TO QUESTIONS

News-item captioned "Essar issue rests on 'Doubtful' applications

*263. SHRI DILIP SINGH JUDEV: Will the Minister of FINANCE be pleased to state:

(a) whether Government has seen news-item, appeared in the 'Business Standard' dated the 17th July, 1995, under the caption "Essar Issue rests on 'doubtful' applications".

(b) whether the Government is aware the ICICI bailed out the public issue of ESSAR Oil Limited in violation of the SEBI's guidelines issued on the 20th January, 1994 in the matter; and

(c) if so, the measures Government are taking to direct ICICI to withdraw the second application and punish the erring officials?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.V. CHANDRASHEKHARA MURTHY): (a) Yes, Sir.

(b) Pursuant to the firm allotment offer made by M/s Essar Oil Ltd. in their public issue, ICICI made an application for Optionally Fully Convertible Debentures (OFCDs) amounting to Rs. 110 crores. When the public issue opened, ICICI made another application for subscription of OFCDs amounting to Rs. 49.99 crores which was an advance subscription against their underwriting commitment. In the instant case, ICICI had a dual status, as that of a firm allottee as well as that of an underwriter. In view of this SEBI has held that ICICI could legitimately make their application of Rs.49.99 crores over and above their firm allotment and it is not in violation of SEBI guidelines.

(c) Does not arise in view of answer to part (b) above.